

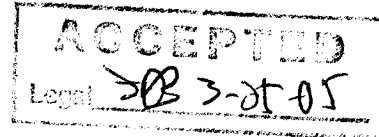
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173314

JOHN W. FLITTER  
DIRECTOR  
ELECTRIC & GAS REGULATION

March 24, 2005

The Honorable Charles L.A. Terreni  
Chief Clerk & Administrator  
**Public Service Commission of South Carolina**  
101 Executive Center Drive  
Columbia, South Carolina 29210

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COMMISSION

Re: Commission Utilities Matters Action Agenda Item – Docket No. 2005-42-E - Duke Power Company's request for an Accounting Order to allow adoption of new depreciation rates effective January 1, 2005.

Dear Mr. Terreni,

This is to acknowledge that the Office of Regulatory Staff has reviewed the above referenced filing and based on the following information we have no objection to the Company's request for an Accounting Order only. The Company states in the Application these new depreciation rates will not involve a change to any of Duke Power's rates or prices, or any Commission rule, regulation or policy. The Company also asserts that the issuance of such Accounting Order is not precedential and will not prejudice any party's right to address this issue in a subsequent general rate case proceeding. ORS would note that the cumulative results of the updated study from which these new depreciation rates are derived show only a very slight variance from the prior annual accrual amount.

Thank you for the opportunity to provide our comments in this matter.

Sincerely,

John W. Flitter

JWF/wh

cc: Dan F. Arnett, Chief of Staff, SC ORS  
Florence Belser, General Counsel, SC ORS  
William F. Austin, Esquire  
Dr. James Spearman